



THOMAS L. GARTHWAITE, M.D.
Director and Chief Medical Officer

FRED LEAF
Chief Operating Officer

COUNTY OF LOS ANGELES
DEPARTMENT OF HEALTH SERVICES
313 N. Figueroa, Los Angeles, CA 90012
(213) 240-8101

BOARD OF SUPERVISORS

Gloria Molina
First District

Yvonne Brathwaite Burke
Second District

Zev Yaroslavsky
Third District

Don Knabe
Fourth District

Michael D. Antonovich
Fifth District

February 3, 2003

TO: Each Supervisor

FROM: Thomas L. Garthwaite, M.D.
Director and Chief Medical Officer

SUBJECT: RANCHO LOS AMIGOS NATIONAL REHABILITATION CENTER AND RELATED NEXT STEPS

At the Beilenson Hearing held at your Board's meeting of January 28, the Department and the Chief Administrative Officer were instructed to, over the next 60 to 70 days, work with the California Community Foundation and other interested parties on the feasibility of transitioning Rancho Los Amigos National Rehabilitation Center (Rancho) from County-operation to a private, non-profit entity. This is to advise your Board of the Department's next steps related to this assignment and its impact on the system-wide redesign plan implementation.

Rancho Governance Conversion Working Group

The Department is forming a Governance Conversion Working Group comprised of representatives from the Chief Administrative Officer, County Counsel, the DHS Chief Operating Officer, Rancho clinical leadership, LAC+USC clinical leadership and Harbor-UCLA clinical leadership. Ingrid Lamirault, Director of Ambulatory Care and the Public Private Partnership Program has been assigned to coordinate and lead the working group and its interaction with the California Community Foundation and other interested parties.

The Working Group will be charged with identifying the issues surrounding transitioning Rancho to a private, non-profit and the development of work plans and time-lines, costs and other pertinent information to assess the reasonableness of Rancho's viability as a private, non-profit.

Consolidated Licensure and Management Structure for Rancho

The Department continues to pursue the development of an alternate operating model for a downsized Rancho that will preserve rehabilitation and acute care services that are critical to Rancho's mission but will achieve cost savings through other clinical reductions and combined management under either LAC+USC or Harbor-UCLA. The Department, in collaboration with County Counsel, is examining these issues to make a determination as to whether it is most advantageous to operate Rancho under the license of either LAC+USC or Harbor-UCLA. Additionally, we are working in collaboration with the California Community Foundation and their consultant Gill/Balsano to ensure that the service mix under a satellite operation is compatible for the transition period before Rancho is potentially converted to a private, non-profit entity.

Operating Rancho as a satellite of either LAC+USC or Harbor-UCLA Medical Center would result in increased management efficiencies and potentially an increased reimbursement rate for some Medi-Cal services. However, there are a number of complex operational and regulatory hurdles that have yet to be addressed surrounding this new operating model. These include issues of employment of physicians and other clinicians and Rancho's interaction with the existing affiliation agreements at LAC+USC Medical Center and Harbor-UCLA Medical Center.

These issues must be resolved before the Department can produce a refined fiscal forecast for the costs to operate Rancho during the transition period to non-profit status.

Impact on System-wide Redesign Plan Implementation

The Department originally targeted May 1, 2003 for the first round of employee reductions that will trigger the "employee cascade" process. Because of the 60 to 70 day window while the CAO and Department review the feasibility of Rancho transitioning to a private, non-profit entity, that date will be rescheduled to June 30, 2003.

The impact of this new date will result in not achieving approximately \$7.5 million in savings included in the Department's forecast. However, the Department has identified other areas to make up for this loss in savings primarily through an increased number of budgeted vacant positions due to an unusually high attrition rate over the last several months throughout the Department.

Please let me know if you would like any additional information. The Department will, as directed by your Board, provide you with periodic updates as events warrant.

TLG:jw

c: Chief Administrative Officer
Executive office, Board of Supervisors
County Counsel